

City Council Special Called Budget Work Session Transcript – 05/13/2015

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>> Mayor Adler: If we're ready, we'll go ahead and convene this morning's work session. What day is today? >> It's the 13th. >> May 13th, 2015. It is 9:20. We are in the board and commission room at city -- city hall. This is a work session on budget. Do you want to start us off? >> Certainly. Good morning, mayor and councilmembers. It is our pleasure to continue our conversation with you regarding the financial forecast and budget process for fy 16. We, the staff and I, had some conversation after the last budget work session in this room and gleaned from it the need to provide for council a bit more context in terms of what the budget development process is about and about roles and responsibilities, what I'm required to do by charter and state law and code, and not to dwell on all of that, but just to touch on that. But then also to talk about the various elements of the budget process, even before today, the stuff that we do in getting ready for the initial forecast that you had on the 22nd, and all of the subsequent steps that are involved, the significant ones that are involved, all the way through to budget adoption, which you'll engage in that process sometime in the latter part of September. But we wanted to provide that context. We sense the need to do that, based on the conversation last week and the kind of questions that were answered and the fact that just for about all of you, excepting one, this is your first time. And, obviously, budget development and the ultimate adoption of a budget by you is one of most important decisions

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that a legislative body makes. So we want to do that today at the outset. I think it will help to inform your conversation and understanding as we go forward. And then after that, we're going to pick up where we left off. We had indicated we were going to provide additional information on the homestead discussion that we'd been having with you. There was one other issue. I don't know why I'm drawing a blank on it right now. Homestead and -- >> The reduction report? >> Excuse me. And I think you will have gotten from me already, with a cover memo, our version of the budget reduction menu, that is, I.e., that cool, as I characterized in a previous conversation with council, will be one of the tools by which we craft our budget recommendation for fy '16. So I just wanted to provide that context for the presentation and your conversations today. So, mayor, with your permission, I'll go ahead and call on the team to begin the presentation. Elaine, I think you're starting us out this morning? >> Yes, sir. >> Okay. >> Good morning, mayor and councilmembers, city manager. We can cue up the presentation. One other piece of context, we heard that all of our powerpoints look alike, and you're right. Each year,

with the kickoff of our budget, we have a theme for all of our documents, and this year, greetings from Austin is our theme. And so the majority of our documents will have this as the cover, or it will be the cover of the slide deck.

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For this morning, I have chosen yellow for the lettering as a way of highlighting that we're talking about the financial forecast and budget process. And it's just -- it is a tradition here, and so you will see that most of our reports look alike. But it's -- when you have three or four budgets that you're -- documents that you're looking at three or four years, it helps to keep them all sorted if there's a theme, so we do of a theme. And as the manager said, I won't go over this much, but he's already made the introductory comments. We'll cover a little bit of the charter responsibilities that we talked about at the forecast presentation, and then we're going to go over an overview of the timeline, the actual overall budget cycle, which is an annual cycle that repeats itself. The minute we get the budget adopted, the council -- the staff starts all over again on October 1st. So we'll go through the manager's -- what we're calling the road map, as well as the council's road map. And with respect to the manager's road map, here is really a rundown, an outline of what that road map looks like in words. We're going to have some charts and walk you through each of the steps pretty rapidly. But as the manager said, we spend a number of months in what we call forecast preparation. That actually starts in mid-october and goes all the way through April. The forecast we presented to council on April 22nd, that is the council and the public's first look at our financial planning document and our -- over a five-year horizon. It's a look forward at what we're seeing. It's based on assumptions, very high level. And then budget development is a several-month process that involves council input on policy objectives, their priorities, citizen engagement, community engagement. The departments are actually preparing their more detailed budget, and

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the rigorous review that the manager and his staff make before recommending the budget. The council's road map actually begins with discussions at the forecast and any other discussions that they have had on policy matters and priorities prior to that, but we have many budget work sessions which are a way no the council to provide feedback, and we'll have budget presentations where you have the opportunity to ask questions. Lots of public hearings that are required legally, and then the following process is a three-day process of the budget adoption and lots of -- lots of voting there. Just briefly, to cover the charter responsibilities, as we develop the budget over the next few months, it's important to note that, legally, by state statute, the local government code, the manager is defined as the budget officer for the city. He doesn't have his pencil and calculator out, so he delegates that to most of us, but sometimes he does get that pencil and calculator and he checks us. But he is designated as the budget officer. In addition, the city charter defines his role and responsibilities with respect to budget. In particular, in section -- article V, section 2, and subparagraph 2, it says the manager is responsible for preparing the budget annually and submitting it to the council, and he's responsible for its administration after adopting. So he has responsibility responsibility throughout the year for budget. Whoops. The council's responsibilities are also outlined in our charter, and these are our governing documents. The form of government is defined in the charter as the council-manager form of government. It says that all the city's powers are vested in its elected council, and it says

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that the council shall enact legislation, adopt budgets, determine policies, and appoint the city manager. And there's lots more in that paragraph, but those are the important -- I think the important words. And then the city has generally all powers granted to it by the constitution and state of Texas laws. So I'm going to talk a little bit about the structure of the rest of the presentation. This slide gives you a complete picture of the entire process from start to finish. And again, this is an annual process, so once we get all the way to the end, we start all over again. And as we go through the presentation, we will be highlighting each of these boxes and showing you the progress through the budget, and the kinds of deliverables that you'll be seeing -- that you would see as a council coming out of each of these -- out of each of these steps. And this is really a very -- this is a very high-level presentation of the process. We wanted to cover some key dates for you. These are not all the important dates, but these are the ones that I think we need to focus on. At the top are statutory deadlines, the homestead exemption decision by state law has to be made by June 30th, if you look at the top. However, the staff is recommending that you adopt that decision by June 4th. That is shown below in the red lettering. That is so that we have time to incorporate any changes we need to make in developing the budget. We have that month to -- that time to get that work done. On the far top right, the budget adoption is required by charter deadline of September 27th. State law requires the September 28th is the deadline. Your fiscal year begins on

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October 1st, so there's really not much time there. If you look down directly below that, you'll see the box that says council adopts the budget with their amendments. Those dates with generally -- for this year, are September 8th through 10th, they're generally around that same timeframe. Noting that the deadline is much later than that, you may ask why the timeframe? Well, you have to look at when the first pay period of the new fiscal year starts. It may start before October 1st. We also need to take, as staff, your adopted budget and amendments and translate that into our computer systems that actually are the control feature for budgets. So we've got to have time to get that done, as well. >> Mayor Adler: Before you move on, can you explain in a little bit greater detail the work that happens between June 1st and June 30th? What is it that requires us -- gives -- creates the desire for us to make a decision by June 4th, prior to the June 30th statutory date? >> Right. Departments are busy working on their budgets, and they turn them in the very first week of June. That's the first time the manager has time to review their requested budget, or their proposed budgets. And so to the extent that you've asked for and we've provided a reduction report. To the extent that we need to use that list to achieve a homestead exemption, we would need that time to determine where to make any reductions. And so we're asking for that time. The council's last council meeting is, I think, June 18th. So there's three meetings -- two or three -- three meetings in June. >> Mayor Adler: So do I understand, then, so that you can make -- see what the impact would be of making that

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homestead exemption? >> Yes, yes. >> Mayor Adler: So what you would need to know by June 4th, for example, let's say the council wanted to do a 6% homestead exemption and phase it in. >> Mmmhmm. >> Mayor Adler: What you would need -- or none. Let's say the decision came down to those two things. You could learn that on June 4th. We're either not going to do any, or we're going to do 6% would give you all the information you really need by June 4th, is that correct? >> Yes. The hesitation is -- I know that the statutory date is June 30th. By that time, the majority of the decisions, really, by July 4th we're working through with the manager making all the final decisions, then we take a couple weeks to go create the two volumes, the 600 pages of your budget document. So it's a matter of being able to have

the time to do that deep dive analysis and review during the month of June with the manager and his executives, and make those final decisions. And if we waited until June 30th, we just wouldn't have the time. If, in the

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that enables our ability, then, subsequent to June 4th to do the work that we need to do to prepare our recommendations? >> And the reason we were advocating for June 4th is that typically, almost always, by about June 30th, if not June 30th, by the 4th of July, for sure, we have gone through the very lengthy process of departments developing their more detailed budgets. You've seen forecast Numbers. They're very high-level snapshots of what we're forecasting. It's very different than the detailed work departments go through in crafting a budget recommendation, or a budget proposal. Staff doesn't get those in the budget office until June 4th, 5th, or 6th. Somewhere in that timeframe we set a deadline for departments to submit budgets so we can start doing our work of vetting the budgets, checking Numbers, doing analysis, working it through the city manager's office. So by the end of June, June 30th, July 4th at the absolute latest, we have kind of a very full, complete picture of what the budget's going to look like. Staffing changes, service changes, increases, decreases, tax rates, utility rates, every single component where it's easy to rattle through is a very lengthy process. You know, things like, you know, water utility rates has nothing to do with the homestead exemption, but something like that will go through reviews. It's a lengthy process to say, this is the budget we are prepared to recommend. As Elaine mentioned, there's a lot of charter requirements contained in that documentation. It's two volumes, 1600 pages, it takes a lot of work to put it together and get it to this body by July 30th. It's not a matter of just getting it done by July 29th, we

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have to have it done a week before to get it to the printer to get all this work done. And so, you know, from our perspective, if there's still a major, unresolved issue on June 30th so that we maybe need to go back to our departments and figure out how to address that major unresolved issue, it potentially throws a major wrench into our ability to get that document to you by July 30th. I say potentially because I guess it depends what the wrench is. >> When we say June 4 on this schedule, and we think about that date in regard to the homestead issue, we're saying June 4th in regard to that issue for what reasons? >> So that we have clear direction from council as a body. You take an action to approve what you want to do with that so that we know what our starting point is in terms of a tax base. As we're doing our revenue projections, giving directions to departments that we maybe need you to craft a budget a little bit different than what you had initially been thinking, because this is the direction council has now given us, we would have three weeks in June to actually get that work done before we at some point in time need the Numbers to stop moving so we can put together all this documentation to have major things still hanging out there as late as June is very concerning to us to be able to get that work done. >> Mayor Adler: I don't want to overly belay this, but, if you were told on June 4th, I'm asking a question to better understand the timing. If you were told on June 4th the council was either not going to grant a homestead exemption, or was going to grant a homestead exemption in the 6% range and ask for the tax rate to be changed so it's revenue-neutral. And you knew it was going to be one of those two things,

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wouldn't -- my understanding from hearing you is that the budget, the staff and the work, and the

building up their budgets would all be the same under either of those options, is that true? >> Well, I think it's, you know, the manager needs to, you know, look at all of that input. So, I think it's true. You know, but that still doesn't mean there's not a lot of work that has to be done and reviewed by the city management team in order to craft -- >> Mayor Adler: But the work is the same. If those were two options you were given on June 4th, the work you would be doing would be identical because it's revenue-neutral. The amount of money the staff would have to spend would be the same. The budget constraints would be the same for all of the departments. Nothing would be different. So my understanding is that, and, again, I'm not presupposing what the council will do. The council may want to make its decisions and might make different decisions. But, if the council wanted to narrow its options down to those two, it seems to me that that doesn't put -- because we have taken off the table a lot of different kinds of wrenches that could be thrown in it, the remaining issues don't present a wrench, is my understanding. For the work that you would be doing the balance of June. I want to know if I'm thinking about that correctly or not. >> Sir, if I'm understanding the two options, you're saying we would get some kind of council action saying, look, we're either going to -- to the extent we're going to do a homestead exemption, it would be done in a revenue-neutral way. If there's clear direction from council on that, I guess that would be a smaller wrench than the potential big wrench. >> Mayor Adler: Your direction to the departments would be the same. The parameters in developing the expense side of the budget would be the same, right? >> Right. >> I thought what I heard you say was a little more specific than I guess, ed, you said. You gave a specific what if

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scenario that if it were 6%, let's say, and we were going to up the rate in order to make that revenue-neutral in terms of the impact, one possible scenario, or no exemption at all, would the revenue base from which we would work to craft the budget be the same. Right? So could we go ahead and craft a budget on that basis. I'm not sure I heard you say that back, but, is that accurate? >> Mayor Adler: Yes, that was the question I asked. >> So, the answer, we think, is the revenue, in that context, those two scenarios would be the same. And, therefore, we could craft a budget recommendation. You can respond to that in a moment. But, the answer is yes. The only thing would be that if that turned out not to be the case, that the end result was something other than one of those two things -- >> Mayor Adler: Then we would have thrown in a wrench. >> A big wrench, yes. >> Mayor Adler: I understand that. Thank you. >> And it may be problematic. I'm just thinking about this on the fly, because we're just being hit with it now. In terms of the manager's responsibility under the charter to craft a budget recommendation, short of clear direction that 6% homestead exemption scenario is what council wants to pursue, you know, there's a whole lot of things that staff and the manager will be looking at as we go through the budget process. And what budget we're crafting to bring forward to council may be a budget closer to rollback than what we've currently forecast. And that's part of the work that we have, reviewing unmet service demands, reviewing departmental budget requests, reviewing all of that and trying to make decisions about what are we going to be able to fund and not going to be able to fund. It seems like it's all intimately tied in with the homestead exemption. So it feels like it's still hanging out there. Perhaps I'm missing something. >> Let me add to that. Sort of that either/or kind of

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scenario. You know, it's hard for me to see that, I guess, as direction. Because at the end of the day when you make -- we're talking about a financial policy. And in the absence of you taking action to create one, I don't have one. I have the financial policies that are in place today. Deciding to undertake some sort of homestead exemption, that would represent a new financial policy by this council. >>

Mayor Adler: I'm going to have trouble going the next two weeks with this level of ambiguity on this. I need to understand it better. It's going to impact the timing and the council's ability to make this decision. So, I need a better understanding, because I think there is at least a significant chance that given what happens at the legislature, we may not be able to make a decision on June 4th. I need to understand what that means. So, if what you're saying is that the wrench that remains outstanding, if we presented those who options was the possibility that you would go above the forecast tax rate, and if that is more than just an academic possibility, but something that is a reasonable possibility, and something this that you would want to be able to reasonably consider, I would want you to look at that now and start figuring out whether or not that's true or not. And I think probably you could take a look at, you know, I would want to know if you could determine by, as we begin to approach June 4th, whether if we're talking about an academic possibility, or talking about something that is within the range of what you would be reasonably considering. >> I'm sorry, I'm not sure I understand the question. >> Mayor Adler: That you would

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be coming back to the council in the absence of a homestead exemption and you would be suggesting in your recommended budget a tax rate that was in excess of the forecast tax rate. Closer to the rollback rate. Because I understand that. If you would be doing that, if you would be coming back and recommending a budget that was closer to the rollback rate, then it could preclude, if you had that rate, doing a homestead exemption. If you were not going to do that, then it wouldn't preclude a homestead exemption, and this council could then work within that parameter and decide as it goes through its budget that it wanted to take a rate that was higher. I'm just trying to -- as best I can, to learn those parameters. I mean, if we have to decide by June 4th, then we have to decide by June 4th. I'm just trying to figure out out real that is. If we were to limit ourselves, based on how much flexibility you would really be needing. >> It's just hard to answer that question, because we really -- I guess we really don't know until we actually get into that process of evaluating the various budget requests and --looking at that relative to the revenue that we have. It's hard to say early on. In terms of June, whether or not we know what rate we would be recommending. You look like you're chomping at the bit -- >> I'm trying to maybe address the mayor's -- trying to give a more tangible example to help people understand the parameters. The forecast is just that. It is a forecast, and at the simplest sense, we predict a \$6 million between the tax rate

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we're forecasting and the rollback tax rate in terms of a dollar amount. We've talked about this in other slides. There's \$6 million between those two rates. It is a forecast. By the time the departments have done dialing in all their Numbers for the different parameters, health insurance increases, wages, by the time that's dialed in the \$6 million could be bigger or smaller. That's something staff and the manager need to deal with in the budgeting development process. On top of that, the department submits that on June 6th. We have a list of 192 funding questions from departments totaling almost \$50 million that all have to be reviewed, vetted, and there needs to be decisions made about which, if any of those are going to find their way into staff's recommended budget, including among them the outcomes of the zilker report, which is of great interest to the panel. Those recommendations, which have been brought forward by the development services department as funding requests, are not in the forecast Numbers. So, that's the difference between a forecast and a budget. And there's a lot of work to be done to get from that forecast number to the budget, and those decisions are all tied up, I think, with this decision the council is currently wrestling with. >> Mayor Adler: And vice versa. And that's the problem. >>

Zimmerman: Thank you, Mr. Mayor. Quickly, I want to concur with all the concerns you brought up. I wish we could just get past this. We have so much information to go over. I've got a lot of concerns with the excessive spending we're doing. I'd like to say, okay, the June 4th date is something the council takes under advisement, we make no commitment to do it. Let's get into the meat of what we're supposed to do, as a suggestion. >> I guess the simple question to ask, is it possible to implement a 6% homestead exemption that's

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revenue-neutral, can -- be given those options? Is that possible? Like, if we were to implement a 6% homestead exemption, is it -- can we see the options to make it revenue-neutral if that's possible? I feel like that's the simple question. >> I think we -- we'll touch on this when we get to that part of the presentation. I was going -- I know there's a double councilmembers who weren't here on may 6th, was it? So I'm going to reset some of those Numbers, but that's what we presented last on may 6th. Based upon these forecast assumptions, it looks like we could get to a 6% homestead exemption at the rollback rate and a revenue-neutral manner. But it stops there. The implications of that decision on our ability to fund, like study or other demands, that's what the budget process is all about. This part of the process is for council to define the parameters that staff is working within. Whatever they are, we have a lot of work to do to get a budget to you by July 30th. If the parameters are still shifting then, it's going to be very problematic for us to get that work done. >> Mayor Adler: Thank you. You can proceed. >> Okay. We'll start working through the manager's road map. And you'll see, it's the same graph that we saw two slides before. And we'll repeat that throughout the process. We'll be highlighting -- in these next slides, the manager's road map and the council's road map is at the bottom. They will be highlighting later in the document. We'll go through each of these steps. This is the overview of the manager's process. The first piece in the process is in pink on this slide. Again, it's the same graph, we're just highlighting that

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we're going to talk about the process step, prepare for the forecast. Preparing for the forecast, there are three main elements in that work. Again, it starts, really, right after the budget is adopted. It starts in mid-october for our departments. And there's a lot of data-gathering and looking back at year-end results as part of the blue step, which is business planning. Another key step to this preparation for the forecast is the citizen survey. And the performance report. And you'll see down below a timeline, work that is done for two or three months, data-gathering, prior year results, looking at current-year budget status, assessing your performance for the prior year. And then the arrows at the bottom indicate general timelines when the deliverables are due. The departments turn in their business plans in January. The citizen survey is a public document delivered to council in February. And then historically, the performance report comes out in March. We'll talk now just about the business planning process. Again, it's really an internal piece of work where the departments look at their mission and goals to determine if they need to be changed. They look at identifying horizon issues that they need -- that they may be addressing over the coming five-year period. They look at their programs, assess their programs. They assess their current -- their past, current, and their future performance against their performance measures and against their goals. And then they identify performance gaps. The next piece of the prepare for forecast process is the citizen survey. This is really a key element of our budget planning.

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And it is an annual survey. It is meant to assess our citizens' satisfaction with how the city departments deliver the major city services. We get feedback on service delivery, customer satisfaction. And then it also helps inform us about what our citizens think are priorities. What's a higher priority than another program. And so we can take that into account in our own planning. Generally, public safety is a high priority. And we get that feedback regularly from the citizens. It's a five-page random sample survey so that it can be used statistically. It's sent to about 3,000 city households, and about half of those responded last year. A little less than half. And so, that's a good piece of work. We rated at or above the national average for 31 -- 46 areas that were assessed. Here are the measures where we rated over 10%. We rated below the national average in 15 of the 46 areas assessed, and we rated at least 10% below the national average in only two areas, traffic flow on major streets and how well we're planning growth. And those two areas, council is well aware that we've got issues in those areas, so that's not a surprise. And, again, this report was provided to the council some months ago. It is available to the public on the website. >> Thank you, Mr. Mayor, I have a quick question. Was there a question on here - I apologize, I don't remember seeing this come across my desk. But was there a question on order of, say, I feel that I get good value for my tax dollars?

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Is that question in here? >> There is a similar question. I don't know exact wording, but we do ask -- you may know the exact question. But there is a question similar to that. >> Zimmerman: This came to our email a couple of months ago? >> Maybe late February, mid-to late February. But it's on the website, we can send a link or provide the document to you again. >> Zimmerman: Thank you. I'd love to see those questions. There's a joke when I was campaigning that people would say, playing off that joke, I went to spring break, all I got is this lousy t-shirt. They said, I got annexed by the city of Austin, all I got was this lousy library card. I had a lot of comments from people like that in the suburbs. >> All right. The next and final piece of our preparation for the forecast is the performance reporting. And that report was issued in March. It's usually around spring break. And really, that is a key element of the system that we use for business planning and financial planning. It's managing for results. It is a framework that allows us to track some key measures and use those for making decisions about whether we're meeting our goals and what programs that we're going to dial up on, dial back. And it is the basis for all of our planning and evaluation of our success in achieving our goals. Again, I won't go over these. Here are some of the measures that we're tracking in that document, again, that's available on the website. The next piece, the next step in the manager's road map is the forecast. And that was delivered to council on April 22nd.

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And that's -- we've moved one more over in the process. There are several key elements. As ed said, in the forecast, I won't repeat these. It's built on a lot of assumptions. It's built on projections and estimates. Those estimates change. The assessed valuation estimates are very early in the process. So, it is very much a high-level document. Based on past year's history, but, it is our first look ahead at what our revenue and expenditures for the next five years might look like. It is a best practice. So, again, I won't belabor this a lot. This was one of the slides in the forecast presentation. Just to provide some framework on what is a forecast. It is not a budget. It is not at that level. Think of the budget as line item-level detail. You know, it's -- the forecast really is a very macro-level document. It is a planning document. It is a financial tool for planning, to look at and see where you might be based on certain assumptions and parameters. Again, why do we produce it? Well, one, it's a best practice. But, it is really our first -- it's our first discussion in the public of what the next year might look like. It allows an opportunity for the council to initiate their policy discussions. It allows for the public to start looking at

what we include in our initial funding request. And the resources that the departments have said that they might need to provide those. So, again, it's just really to facilitate input and feedback, both from -- the council and the community. The next step in the manager's

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road map is budget development. And that's a lot of what ed was talking about. We're really in that process now. The minute the forecast ends on the -- the presentation ends on April 22nd and probably before that, departments are working on developing their budget for the next year, making decisions. Again, this process starts with council outlining their policy objectives and priorities. Le two that we've heard very clearly are affordability and the current discussions of the homestead exemption. We also kick off our citizen engagement process in may and June so that we have that feedback in time to take it into account -- the manager has it in time to take it into consideration in developing his recommended budget. That involves staff making presentations to their boards and commissions, their forecast, their initial funding requests, likely the reduction report, as well. We also have planned this year, town halls, conversation cores, and we'll be doing the budget in a box exercise with a lot of community groups and at the town halls. The departments are, again, doing their very detailed budget preparation. And then, really, the last - three weeks of June, we identify any areas that need further analysis and have regular meetings with the manager and his management staff to review the documents, budget requests by departments, and to make a final decision on some of the major assumptions that you've seen in the forecast, like the health benefits number may come down. Traditionally, it will come down during this one-month process. So, again, as ed said, there are a lot of tradeoffs during that

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timeframe. We have to look at the initial funding requests based on service demands the departments are hearing from their citizens, as well as find ways to be able to afford those, which would mean reductions. And then the last step in this process is the manager finalizing his budget recommendation and delivering that to the council with a presentation much like we had on the forecast. That will be on June -- July 30th of this year. It's always at the end of July, 1st of August. So, here's where we are. On the far left we have just finished the forecast. And so, we've described a timeline. It talks you all the way from forecast to the blue arrow, which is when the manager provides his recommended budget to the council. Then it becomes -- then it's a document for the council discussion. And we'll go into that handoff a little bit later. Again, these key dates, I won't go over other than they are set statutorily. As Lela indicated in the forecast presentation. You'll set a maximum tax rate. Once you set it, you don't go over it, so it needs to be carefully thought out. And more likely than not, typically, it has been at the rollback rate. So you have that flexibility to adopt a rate under that, but if you set a maximum tax rate, you cannot go over that rate. So it's a very key date. It's set early in the council's decision timeframe for budget, and we had talked about those other dates. Okay. We're going to go into the council's road map. And so, if you'll see again, we've got the whole process mapped out here. And the council's process, we've

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done the handoff from the manager to the council. It's in the public eye. It is the full document. The full 1600 pages. It is what we have recommended as staff. And then, we'll go each of those steps, as you'll see. There are department budget presentations scheduled so that once we -- we have a lengthy presentation on July 30th, which is much like the forecast presentation. It's an overview. It covers high-

level details on the entire budget. So, following that, you'll have department budget presentations where department by department, or whichever ones the council wants to hear from will come and do specific presentations on what's in their budget, what their performance measures are, and what their new programs are. What their reductions are and that sort of thing. Whoops. The next step is kind of in tandem with the department budget presentations. There's several work sessions with council where you provide feedback, recommended things that you might like to see different, additional information that you might want. Those kinds of things. You'll also have public hearings on the tax rate, the utility rates. You may do deeper dives into specific issues at this work sessions. But, those will be -- much of that is either statutorily required for the public hearings, or will be as you've requested the additional information. And then the last step is really what we call budget adoption. And typically, that's the three days where you actually vote to approve to adopt the budget. It's a series of ordinances. It's not one ordinance, it's a

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series. You adopt the budget, and then you make motions to revise the budget. And actually that is the point at which the council is adding and subtracting from the budget. And we have our pencils out, and we're madly calculating to make sure we stay in balance. We have lots of spreadsheets that it's very interactive at that point. And we're trying to be responsive to council and making sure that we track each of the funds and where they balance, and that we still have a structurally balanced general fund. Typically -- well, it's an ordinance, so it requires three readings to pass. Typically, it's been passed in the first two days. The third day of the readings is not necessarily -- not necessary. A piece of it is scripted. And I use that word lightly, because Lela has to -- there are certain steps that have to be taken. And so, Lela will provide to the mayor, adopt this, adopt that. Adopt the budget, the operating budget, adopt the capital budget. But later in the process, you have to adopt the tax rate that supports the budget that you've adopted. There's a series of steps. You'll adopt civil service staffing levels as part of the budget, and some other steps. So it's quite a lengthy process, and we walk you through it. And after that is done, the manager and staff implement the budget. We load it into the systems. And that is our control system throughout the year. And the information is there for us to prepare financial reports for you. And we start the process all over. It is a cycle. And we get teased a lot about, do we ever stop budgeting? And the answer is no, we don't.

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We developed this handy guideline, and it'll be available -- all of this information will be available on the web. But many of these documents, again, are public documents. They're listed on the back. And in the process, it just felt like you might like something handy as a guide to see where we are in the process. And I'm glad to take any questions that you have, any feedback, any additional input. Anything else that you would like to see us present, we have a scheduled work session next week if it's needed. So, both ed and I will take feedback throughout the day for anything else that you'd like to hear from us on. I hope this was helpful. >> Houston: I just need to ask a question. >> Sure. >> Houston: At what point are there public hearings in this process? Prior to the adoption of the budget. >> Prior to adoption of the budget, we have scheduled on August 20th and 27th public hearings on the budget. The tax rate and the utility rates. And then the next month, you know, in the month of July we have already started some of the town hall meetings. So there's lots of public meetings this month and in June. A lot of the public attend the board and commission meetings where the departments will present their forecast information and some of the other information that you've seen as a council. >> Mayor Adler: Questions or comments? Ms. Gallo. >> Gallo: I have a policy question for the council, because, you know, obviously what you do is

so labor-intensive. It's kind of a revolving door, as council's input is presented. But, at what point does the council talk about our

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objectives for the tax bill? Not the tax rate, but the tax bill? My concern is I think all of us have heard very clearly the issues of affordability in this community. And if we wanted to send a message, whatever message we wanted to send. But if we wanted to send a message to the city manager that said, we want to see a budget that doesn't raise the tax bill for our citizens from last year, when do we talk about that? Or we say, we want to send a message to the city manager and staff as they prepare the budget that we are okay with the tax bills going up X number of dollars? It just seems like that discussion would be appropriate prior to the staff spending time, and the city manager spending time presenting the budget to us, because the end result of that budget is our policy decision. And I'm -- the question is, when do we have that dialogue? When do we talk about our objective for the end result, which is the citizens' tax bill? >> Mayor Adler: You know we can have that conversation, or a conversation about any of the elements in the budget any time we want to. Last Wednesday, this Wednesday, next Wednesday, we're gathered together to talk about the budget. We could talk about that. Sometimes, for some people, I think it's going to be hard to have that conversation without the context of what does that mean in terms of any particular cut or any particular change in spending priority. So, I don't know that you would tee up that question the same as other people would tee up that question. But that's not a limitation on anybody's ability to tee up that question however they want to.

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And then ultimately, people can engage in that conversation, or not. I understand your question. And other people can comment on it, too. But we have work sessions where we could set things to talk. We have the bulletin board where we could, you know, set things to talk. And we could make a conscious decision to decide as a council on trying to come up with some governing principles for the manager, as well. Mr. Zimmerman. >> Zimmerman: Yes, thank you, Mr. Mayor. I want to zero in on what councilmember Gallo had brought up. I want to refer to this -- I really love these laminated sheets, this is great. It starts at the top here. It's interesting, I've studied this here while we've been talking. If you notice, the council's role over here on this right-hand column, receiving information. Receiving information, receiving information. What's missing from the staff function, nowhere does the staff function receive information from the elected council prior to presenting the original forecasted budget, right, that has the 7.1% tax increase. So, in fact, I think it's institutionalized that what councilmember Gallo was asking for is just not part of the process. It's just not part of the process that the council would have initial input to say what tax rate increase would you be okay with. Is it zero, 7.1%, which is what it is now. That information is just not part of the process. I think it's incumbent on us to make that happen, as you suggested. >> Mayor. >> Mayor Adler: Yes. >> And I apologize, I mean, our budgets have put together this laminated road map, one of my new favorite things in the whole world. But, in the council roles we're talking about the financial forecast right now. The first arrow bullet says, council should be -- you're

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receiving information from staff. We hit you with a fire hose of information. The very second arrow says to provide feedback on assumptions, we mean, provide it to us. Council, please provide feedback to staff on the assumptions we made about sales taxes, property tax rates, adding new officers, adding new

staff to the library, implementing new programs, enterprise functions. That's what staff provided is information. We're saying please, provide feedback to us and discuss your policy priorities, is the third bullet. I may not have conveyed it correctly, but that's what we're saying and asking for. >> Zimmerman: One more quick point. I would be looking for an arrow in the staff column that would say, receive feedback from council on assumptions and incorporate. Receive and incorporate. >> I think that's fair. I'd be happy to take that into account next time we put this together. >> Mayor Adler: Greg, is your light on, because you wanted to talk? Ms. Gallo. >> Gallo: My question was not to say that you are not asking that. I think you very clearly want that direction from us. My question was, at what point is that most appropriate for being considerate and conscious of the amount of staff time that it takes to go back and readjust and do all of that, which I no -- know is in the process. That's a question to council, at what point do we have the policy discussion of where we want the tax bill to end up, knowing that there's lots of discussion that goes into how we get to that point. But, anyway, especially, maybe . . . >> Mayor Adler: Ms. Kitchen. >> Kitchen: I appreciate that question, councilmember Gallo, because I think what you're pointing out is the, you know, the desire, I think, on our part to be proactive instead of reactive. You know, a budget process where we are simply being reactive, at the end of the day, I'm not saying you're suggesting that,

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but I'm just saying that if that's what we end up doing, then we are losing the opportunity to really set the course. We're also wasting a lot of staff time. I think it's a very important question that you're asking, and I'm not sure what the answer is. I'm not hearing what the answer is. >> Mayor Adler: Mr. Casar. >> Casar: And I think that some of the difficulty here, of course, is part of what is in the charter. So I think councilmember Zimmerman is correct in that it is institutionalized that we give Independence to the city manager and to their staff to do that work, because we -- you know, we would need a lot more staff, maybe a thousand more to do that work in each and every office. So, I think that I'm open to hearing the conversation. And I think my understanding is we can always pass a resolution at the council level communicating what we desire as a group. And then that's sort of the way that city staff would receive input as to what we intend our financial action to be on the budget. You know, and so whatever it is they bring back, we're starting to forecast and communicate ourselves what our actions might end up being. But my understanding, especially after the conversation yesterday, was it yesterday? It -- feels like a week ago on the benefits for those families that have children with autism, we cannot direct and say this is what we want to see in the budget. But we can communicate it is something we desire. And then the city manager, you can correct me if I'm wrong or Ms. Hart can either choose to incorporate that or not choose to incorporate that based on your best judgment. If there are six or seven votes already, we can make that final call when we adopt the budget. I guess I'm trying to communicate how I understand the current policy.

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And how I would like to have a discussion with y'all as my colleagues is I'm very open to talking to folks about resolutions to communicate to the city manager in this process what the council's priorities might be. But, my understanding is we can't, under charter, and that that is absolutely what's going to be in the budget. But the ball is back in our court in August to make the adjustments. If that's wrong, that would be very helpful for me to know right now. That's the assumption I'm working off of. >> I think you described it fairly well. What's happened in the past is we have gotten resolutions from council. In fact, we got a long list of them. And they were more than we could afford. And so, what happens every year is that our -- the process that you've described is much what we would do. The manager and the staff

review all of the requests. We analyze them, and then the manager has to make his recommendation based on his best business case. And that's what -- he puts in the budget. Some of the resolutions may be put into his recommended budget, some may not, either for affordability or they just didn't stand the business case. You know, they didn't stand up to the business case. But, as you say, once that recommended budget is given to council, there is that opportunity to do the give and the take. Did you have anything to add, Lela? I saw you . . . >> I just wanted to say that another tool that council has is the budget questions. Where if there are questions that council has individually about specific items that they are interested in, or information that they want to know more about, they can pose those to staff. And staff will prepare the answers to that and post that so it's publicly available so that

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you can get those answers. That's a tool that you may not know that you have. >> If I could just add to Elaine Hart's comments, certainly, and respond to councilmember Casar, I think the manager is very receptive and takes very seriously the council's direction to him in terms of the budget, and in his responsibilities under the charter does take that all into consideration in bringing forth a recommendation when it finally comes to you at the end of July. And to the degree that for some reason it doesn't end up in the budget, then he will identify ways and means for the council to achieve those things. But it may just not be in his recommendation. But he will always try to find a way to make those things happen. In the extreme case like we saw last year where we just had so many questions, we tried to allow for a way. I can't remember the way we accomplished that, in order to accomplish the different requests from council. I wanted to go back, in terms of the conversation around the effect of the tax bill. This is a timely conversation, if this is of interest to the council. From a practical standpoint, we would need some sort of an indication. I wanted to ask ed to give us a sense about when we would want some guidance on that from the council. >> Well, I think we've heard it several times that now is really a great time. That's -- I've talked many times about the forecast as being, you know, us setting the table. So staff is trying to set the table on all these issues that we see out there. And we certainly are seeking that feedback from council so that -- recommend a budget that's responsive to all of those things. In regards to the effect of tax rate, when we're talking about, you know, trying to find a way to have no increase in the tax bill for the typical homeowner that's basically what the effective tax rate is, that would be \$26 million less

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revenue than the tax rate we forecast. And that kind of input and direction from council -- >> Mayor Adler: That's assuming we don't do a homestead exemption? >> Yes. >> Mayor Adler: We could have a zero tax bill through a homestead exemption and not lose that much revenue. >> Yes. But going back to my previous example about the effective tax rate, that may be incongruent with the input we've already heard in regards to resolutions that are already outstanding with living wage, insurance for temporary employees. We have resolutions from council. And we've recently put a memo out about health and human services budgets and social service contracts. We have resolutions from council asking for the data in regards to if those budget were indexed by cpi, population growth. We put that information out there. But, that's the challenge that the manager is tasked with by the charter, to craft a recommendation to the city council that does the best job we can to balance all of that input, oftentimes, which is incongruent. And then council later in the process, after the city manager makes a recommendation, has complete authority to change that recommendation as you as a body see fit. >> Mayor Adler: Two comments. The first one is, maybe as a group, we have an additional budget work session next Wednesday on the 20th. We could center at least some of that conversation around things

that people would post onto the bulletin board prior to Wednesday, as statements of principle of direction that they would like a sense of the council to give to the budget people. We could all go on there, take a look at what people are posting, and then we could have conversations as a group about anything that was posted by

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councilmembers. And if people want to go ahead and do that, we could use that as a guide to at least part of our conversation next Wednesday. Part of the concern I have, or the frustration, is that a lot of these questions, to me, are going to be considered in the context. We're setting priorities. And I really need the work that you're going to do over the next month or two to really be able to do that well. And I hear you saying you need that information from us to be able to do your work well. And I recognize that both of us need the information that the others have in order to do our job well. So we have that issue. And now that we're going through this budget process, I would imagine that as a group we'll have lots of suggestions on a different kind of schedule next year than the one that we have this year. But recognizing that frustration, inability to give real complete answers to those questions, and then a very limited amount of time after July 30th when we get that information for us to be able to react to it, which is a frustration. But maybe -- I'd like to hear what the rest of the councilmembers think about the concept of posting things on the bulletin board and discussing them next week. >> Houston: Thank you, mayor. And you set the stage for my comments, because I think what councilmember Gallo was asking is that we as a body come up with some board policy issues, clarification so that that then gives direction to staff about what it is that we feel are the most important five things, --policy issues we want to operate on. Because if it is, a flat tax, regardless of how we do that, that gives them a ceiling.

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I don't care what area of the city you're in, people are at about utility rates. Seems like we could have that conversation, because although many people like the question and answer, the message board, we don't get to see each other's relationship to each other. And sometimes by seeing and talking to one another, we're able to craft another kind of issue that might be helpful. So, I think the 20th is a good time to do that, and we'll think about what are those broad kind of overarching policies that we might like to see help guide their decisions about the budget preparation. >> Zimmerman: Thank you, Mr. Mayor. I love to get specific on these things. When we first got the forecast, I think there was a 3% increase in non-sworn staff that was put into that, was it? About 3%? >> It was. >> The wages. >> Zimmerman: Yeah. It's interesting, we didn't give you a number of what it should be. Should it have been 4%, .5%, we didn't give you that information but it wasn't asked for either. I don't remember seeing a request from council to say, what should we put in the forecast. And we've reached out to state and federal labor bureaucracies, and we've asked this question for the Austin area, what is the data? What's happened with the median wage in the city here? And our data is the newest data we have is from 2014. And that number is .8%. I don't think that's a big surprise. The people in the city have been complaining our wages are not going up at the same rate that the city staff wages have been going up. That would be an ideal example, wouldn't it, of a broad policy statement? Council says we don't think the city employee wages should be rising faster than the people paying the bills and we are

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going to put a resolution up today on the council message board documenting these statistics and suggesting that to you as a council for a broad, high-level policy that the budget department could use. I

think that's an example, maybe, of what we're talking about. >> Mayor Adler: Ms. Kitchen. >> Kitchen: Yes. Obviously, the budget is built off of a set of assumptions. And you just provided an example of a type of assumption. And so, I mean, there's major assumptions -- big ones, and then smaller assumptions, too. But it occurs to me that a more iterative process would be helpful to all of us. Thinking in terms of what you just laid out, mayor, in term of the back and forth, each of us relying on information, staff and council needing information. And this sequential approach that we have right now is not very iterative to me. I don't know if it's possible to do this this year or not, but what would be helpful from my perspective is a list of major assumptions that you have to use when you put together your budget. And obviously, you've already gone through that process and you know what those are. And that would be a good example for us, instead of us just have Ising to come up with our own thinking. I don't know if this is something you can do right now in this part of the process, but I thought that councilmember Zimmerman's statement is one identification of a huge assumption that goes into a budget. And that is how much are we assuming in terms of, you know, our salaries and our wages. With tax rates -- we talked about that. >> Mayor Adler: Can you help me find, in this book, the list of drivers that -- which would at least include some of those? >> Kitchen: I don't know if it's specific enough. >> Mayor Adler: I think -- >> Kitchen: Yeah. >> It's on page 3, Mr. Mayor. It says forecast report on

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page 3, right at the top. See the citywide cost drivers there, the pie chart? >> Mayor Adler: What I was hoping for was something that looked more like a list with dollar amounts that were associated with it. >> 42 on the tab forecast is a highly summarized -- >> Mayor Adler: Forecast report? >> Slide 42. >> Slide 42. >> Mayor Adler: Forecast presentation? >> Yes, sir. >> I guess while people are looking for that, I would just say, we're happy to do whatever helps this body get to where they need to be. But this forecast report is staff's view of what the highly summarized list of assumptions is. So, in that 100-some-odd page forecast report, you'll see what we're assuming about assessed valuation growth, property taxes, sales tax growth, development revenue, utility rates and fees, staffing additions, officers, new staff at the airport, new programs, unmet service demands or initial funding requests from our departments, and released yesterday, and we're going to distribute that later today is a list of potential budget reductions. So that the universe of assumptions from staff's patient perspective, that's the intent. >> Mayor Adler: Which page would I go to to find a list of the specific amounts and the drivers that are changes from the preexisting budget? >> It's throughout the document. >> Mayor Adler: Is there a way to get that -- >> We can try to find a way to summarize it, but we're dealing with over a dozen different funds, 30 different departments. Some cost drivers apply to some departments, not to the others. >> Mayor Adler: The alternative is we can sit and go through this, and we can go through it together. I'm thinking it would save time

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and maybe be easier if there was a way for you to pull that together. >> We will try to summarize it further. >> Just a list. >> Mayor Adler: Not so much a summary that we want. We're not looking for -- there's tons more than -- yeah, yeah. We're trying to get past a summary level like in the slide, but something where we're all not trying to go through the 150-page document to find those pieces. >> We'll certainly give it a try. It's a list. It's basically a list with, you know -- and maybe a complex list, because as you said, it may -- you may have to list it by fund. I mean, you know what we're talking about, I'm sure. >> Yes, we can come up with something and work with -- >> Okay. >> We can come up with a draft. >> Okay. >> Run it by a couple of folks to make sure we're on the right track. >> Well that would be very helpful. I'm sure it's something that's useful to you. I'm sure you already have it in some

form. As you work through your process, you know what your assumptions are and when you have to change them. Obviously you have this kind of information, and probably have it in a working format for you. We're simply asking for that in a format that's workable for us. >> We'll work on it. >> Mayor Adler: Thank you. Further discussion? Ms. Garza. >> Garza: I see how this is a constantly moving thing, there's lots of assumptions that needs to be made. Councilmember Zimmerman brought something up that made me think of one in particular. If the assumption was a 3% increase for sworn, and I believe there's a contract we're about to be given by the firefighters association that has a higher percentage increase than 3%, would that be in this coming budget cycle?

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Whatever that -- whatever increase gets approved in the upcoming labor contract? >> We've included that in the forecast. >> Garza: The one that's going to be proposed to us? >> The council passed a resolution several months back directing staff as part of the forecast to include funding not only for fiscal year '16, but for the issue of getting them caught up. And so that funding was included in our forecast assumptions, and it was detailed in at the presentation we made on the 22nd. >> To the extent that the more recent action, that may be agreed to is higher, then that would be a change in assumption that we would have to work through in developing the budget. And we have not done that yet. >> Garza: That's my question. I think it is higher, is it not? >> It's not. I think we're good. >> Mayor Adler: Actually, it may phase it in over two years. Your forecast may have included saving enough money to do it all in year one. Is that possible? I think it might be less only because it's phased in over two years. >> We had 3.5% increase in the forecast for fiscal year '16. I don't have the details of the Numbers. I think the five-point-something reported in the paper was over several years. I believe for fiscal year '16, we are right where we need to be, potentially higher. >> Mayor Adler: Okay. Mr. Casar. >> Casar: One last comment on the possibility of talking through this at work session. You mentioned getting a sense, I agree, getting a sense of where we are at in at least showing the city manager what our desire is as a majority council makes sense to me. But I would hope that we take that sense and turn it into resolutions to be voted on, because we are doing this in the process and under the policies that were set beforehand. If we want to change the way we do the budget, I think there are legitimate conversations to be had about that. But for right now, I think that having -- proceeding with the way that it's been planned to be done, having the city management

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present to us what they think the best budget is for running the city as it should be makes sense to me. If we want to change course, that we should do so by resolution not just by folks -- by hoping city staff gets a sense of what we sort of want through budget work sessions. Because, you know, for me, even if we want to be, you know, do our due diligence to be conservative on some of these issues, I don't want to not hear from city management where E have deficiencies in service and would rather make that call after that budget is presented, filling those deficiencies in service, whether we want to continue those deficiencies, others, how would I know there's that deficiency? I think that's why we're working on the system that we're working under right now. And so, I'm open to having that work session, but hope that resolutions that we could all then vote on to give majority direction to city management is the way we would proceed after that work session. >> Mayor Adler: Depending on the questions that people Teed up over the course of this next week that we discuss next Wednesday, it may be apparent to us which resolutions will command a majority of the council, and which ones might not. Or which ones people think we would be ready to opine on, and which ones we might not. But I think the suggestion to have us as a group, kind of, identify policy questions, or spending questions, that we would see ahead of time.

And then as a group, kind of work through that list and see how people are feeling, might be a way for us to communicate with each other at this point in the process. And we could see whether or not there is consensus or not consensus. And certainly, no one is required at this point in the process to commit to anything. And it wouldn't be intended to

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force people to do that. It's just an opportunity for us to more target the conversation we would be having as a group earlier in the process. >> Okay. >> Mayor Adler: Mr. Zimmerman. >> Zimmerman: Thank you, Mr. Mayor. I was going through the forecast, were these cost drivers put in order, referring back to the financial forecast? The first tab in the big book, starting on page 3. The first one that's listed is wages and other compensation, at the bottom of page 3. And I put number 2 at the top of page 5, it says medical and dental insurance. And we're talking, what, 13, 14% increases, right? Those are big, double-digit increases. Obviously, that's a significant driver. The third one there, retirement benefits. So are those the top three in terms of the total, you know, millions of dollars? Or is it just coincidental that they were listed in that order? >> I think in general, that probably is the order that makes the sense. I mean, the things we're trying to highlight in the beginning are the cost drivers that affect all of our departments. So whether you're the airport fund or the general fund, everybody's affected by what we're assuming for wage increases, medical, dental, and retirement cost drivers. So, in general, wages, I believe, are the largest of those. But I don't know that they were put in that order purposely. The cost drivers are going to vary by fund. For one fund it might be one way, for a different fund it might be the other way. It just depends upon the nature of that fund. >> Zimmerman: Okay. And we have some pretty hefty pension funds, right? Are they included under number 3, the increases that we're making? We have an 18% match, is that right? >> An 18% city contribution to

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the civilian retirement fund. It's higher than that for the other two, for fire and for police. >> Mayor Adler: When you make the list, it would be helpful to know what the 3% was in terms of a dollar amount, or if there are components, what the Numbers were so that when we read this kind of summary or conclusionary statement, we can put that into perspective with the other options. >> Is your preference to see something like that by fund, or just citywide? You know, so a 3% wage increase for the general fund is this much, for Austin energy it's this much, for Austin water it's a different amount, or just for the whole city? By fund? Okay. >> Mayor Adler: Thank you. >> Zimmerman: And along the same token, there's been some talk -- there's been public talk for many, many years about, you know, our tax appraisals, about commercial properties. There's land versus buildings and improvements. What's important is the absolute Numbers of valuation for the improvements in the buildings is ten times more than the land. People get confused by these statistics. If you look at an undervaluation of land, it's a relatively large percentage, but it's not a lot of tax dollars. See the difference? There's a big difference. So, these things are very important, so see the big dollars, not just percentages, but the aggregate dollars per the department. >> We'll provide a list by fund. We'll list general -- if it's a citywide assumption, we'll list a description of the assumption. And then we'll have under the funds, the dollar amount of the effect of that assumption. And I think that that will get you what you've asked for. And you can see the range of impact on that fund individually. >> Mayor Adler: Okay.

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So is there consensus? Do we want to plan at least part of next Wednesday's conversation around items that people would post on to the bulletin board between now and then? >> Mmmhmm. >> Mayor Adler: Okay, then we'll incorporate that into the agenda for next Wednesday's meeting. Any questions before we continue with the presentation? Proceed, please. >> We've got a schedule that we're passing out, a departmental schedule. >> So, while that schedule is being passed out, I guess maybe I'll say that we -- yesterday we released a list of potential service reductions that was one of the things that was asked for by council's resolution to study the impact of a potential homestead exemption. So we've done that work. We have copies of it that we are circulating now. And then there's also a list of departments. Usually at this kind of setting, we have our department staff here. And they are here today to seek input from council, to hear council's feedback in regards to different aspects of the financial forecast. And we've organized the list of departments in the same order that the documents you've received have been ordered. So the financial forecast report that we've been talking about here some today is organized by the general fund first, and then our support services funds, and then our enterprise departments. The unmet service demands that were part of that financial forecast report are organized in the same more than, and the list of potential reductions circulating around is organized in the same order. So, based on the conversations we've been hearing today, I'm not sure in council is in a position where they're going to want to be calling some of these departments up and inquiring

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about some specific assumptions. Given the direction we've received to try to summarize and list out the assumptions in a different manner, we may want to wait on this process until the 20th. But that's the intent of this list, is to give council the opportunity to really drill down into some of those details, to ask questions about the underlying assumptions, and to have those policies discussions. >> Mayor Adler: Ms. Tovo. >> Tovo: Are we going to go department by department? >> Mayor Adler: We can. I think we have some people that are going to be leaving, and we have a break at 12:00. Do you want to finish the presentation that you have first? >> Did you say a break at 12:00? I thought we were concluding at 12:00. Are we scheduled to go beyond 12:00 today? >> Mayor Adler: We can stop at 12:00. Then I would like to see, then, the balance of the presentation that they have before we would break, because I want to make sure if we're going to have a stop at 12:00, we get the balance of the presentation. That would be my preference. Does anybody want to weigh in? >> Tovo: What are they presenting if it's not -- >> How long would it take to complete what you wanted to go through here? >> In regards to item number one, we have presented everything we're planning on. In regards to item number 2, there's eight or nine slides. >> Zimmerman: I'd prefer to hear that. >> Mayor Adler: Okay, please proceed with that. >> Just for my clarification, we're saying that staff can go -- because we won't get to them today, we're going to hear the presentation? >> Mayor Adler: I think, probably, that we'll continue going until 12:00 P.M. I think that some people may

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have questions for departments. I know, Ms. Tovo, do you have questions by departments? >> Tovo: I do, but if nobody else does, I ought to ask them through the q&a process and not have them stay here all day. I'm sorry, it's not clear to me whether we're stopping at 12:00 and coming back, or concluding at 12:00? >> Mayor Adler: For me -- >> Tovo: I'm happy to handle my questions through the q&a if that makes better sense. >> Mayor Adler: So, the questions, do we want staff to say to have by-department questions? >> Can we have them stay until 12:00 P.M. And see how many we can -- like once this is over, see how far we can get until 12:00 P.M., and then conclude at 12:00 P.M.? >> Mayor Adler: Let's do that. We'll stay here until 12:00 P.M. Let's go through these nine slides, is and do department questions until

we run out of questions or until 12:00 P.M. Is it the consensus of the group is it the consensus of the group that we want to stop till noon afternoon? That's what we'll do. Why don't you take us through what the balance of your presentation is. >> So what we've done, mayor, as you recall, on may 13th, we did our initial presentation on the possibility of implementing a homestead exemption analysis. We have provided to you that complete presentation with some additional slides at the end because it really is just a continuation of what we started on the 13th. Since I know we had a couple councilmembers who weren't able to be in attendance on the 6th, I wanted to reset the table just a little bit just by highlighting a few slides. So I'm going to start you off on slide 4 of that packet you have, just two seconds on this. Again, Elaine already touched on this, but this is the schedule and we've already had the talk about the staff recommended date of June 4th, versus a state

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deadline of the 30th. I want to make sure everybody is with me before I proceed on. I'm trying to give you a quick synopsis of what we talked about last time so we have that context in everybody's mind. The next slide I'd like to you turn to is slide 16. This is where we got into the Numbers. And so what we projected for a 20% homestead exemption at varying tax rates, these are the aggregated Numbers in regards to what the reduction in general fund revenue would be and what the change in the homestead tax burden would be. So that's what this is showing, at a tax rate of 4750, a 22% exemption would be a \$32 million under this scenario where we increase the tax rate to the on roll back rate to soften that impact, it would be a change in the homestead tax burden of 28.7 million. And then the third scenario was this green scenario where we just said, hey, what tax rate would be required in order to keep the general fund revenue neutral? And that was a tax rate of .5083. So that creates no general fund revenue change, and the change in the homestead tax burden at that tax rate was \$23.2 million. We then went on and we said, hey, what's it look like for a typical household? And you can see the Numbers there, in terms of reduction in that tax burden for a median valued homestead, \$1261, 191, and 155, again, depending upon what tax rate change is assumed to offset the revenue change. And then finally we took a little bit of a different tact and said instead of a 20% homestead exemption, if we were just to look at a 6% homestead exemption, but at the roll back tax rate, how would that affordable care act general fund revenue?

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The reason we picked 6%, that's what we're predicting to be the highest we could offer at the roll back tax rate that would affect general fund revenues. It would result in a reduction for homestead owners of \$5.2 million, and you can see the shift to non-homestead properties. In terms of the individual, it comes down to \$49 reduction in the tax burden for the homestead property. Ms. Gallo? >> Gallo: When we talked about the value reductions, so that as of now we know what the different appraisal districts' values have been submitted to owners, property owners with, so -- and then we assumed Travis county -- well, the different appraisal districts, I need to add all of them, assume a value loss from protest. And I think I was hearing that the assumption that we -- that you use for the value loss number is different from the assumption percentage that -- the appraisal that Travis county uses. And could you remind me again what that difference is? >> I think it was about 8%, as of I believe what tcad is assuming and a little bit below that. Do you know? >> [Inaudible] >> So they're at eight and a half and we're at eight. So we're a little bit more conservative than what tcad is projecting. Tcad had been at, I believe, nine, just -- at the time back in April when we were doing the forecast. They've already brought it down to eight and a half. They typically are overly conservative on their value loss estimates. That's why we're choosing to go a little bit less conservative than they are. >> Gallo: Well, and that was one of my questions is that their

approach of using a higher number, higher percentage for value loss actually is the conservative approach. We're taking a little bit

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more aggressive approach about using a little bit lower number for value. Is there a reason that we take that approach instead of you'll the Numbers that Travis county appraisal uses? >> Just past experience, working with them. In my opinion, they're overly conservative, that they routinely, when we get the certified tax roll, it's significantly higher than what the initial estimate is because they're overly cautious and conservative on their value loss assumptions. So we try to, you know, use our judgment and experience to refine tcad's Numbers so that we're giving you the best estimate of valuation change and tax rates and impacts that we can. >> Gallo: And I would ask over the last, say, five years, five years, has -- has there been a situation where the Numbers that we have used have not been high enough on the value loss? >> Have not been high enough -- this is the first year that we're choosing to do this change. This is based upon five years of experience of tcad making a value loss assumption and five years of them certifying at something much less than what they had initially assumed. >> Gallo: And in the past we've always used their number? >> In the past, we have. >> Gallo: So this is the first year that we're -- >> First year we're saying, based upon all this experience, we think we should probably build some of that in. >> Gallo: Okay. Thank you. >> Mayor Adler: Okay. >> So the next slide I wanted to highlight and I talked to you a lot, we have updated this slide from what we presented last time. Last time we presented this slide in regards to percentage of homesteads, it was only in Travis county and that caused some head scratching, so we've updated this to include both Travis county and Williamson county. We also got a question

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about, instead of just percents, what's the actual Numbers of homesteads, so we've actually added that to the slide as well. So a little bit more information than what we presented last time on this slide. >> There's also the correction to district 6. You pointed that's out last well, now it's up where it makes more sense, instead of the 5 point -- >> The five point something was Travis county only. Now it includes Williamson. >> Do we have this slide? >> Should be slide 22 of your packet. >> Not from the one we received previously that had the inaccurate information in it? >> I'm sorry, I thought those are already been passed out. >> Now did everybody catch up with me? So on this slide, I'm just skipping through. Other than this slide, they're all the same slides as last time. We just wanted to take the new slides we're going to be presenting in a little bit and just tack them onto the back of the presentation because it really all is just one presentation. All right. So then we ended last week on slide 30, telling that we'd come back today with these things, and that's what we're going to do. We came back saying we would get back with you on the impact of rental properties and looking at some multiyear options and we've got 9:slides to get through this work. In regards to the impact analysis, we wanted to start off with a few demographic slides about owners versus renters. This first one is -- was

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prepared by the city demographer, looking at ownership versus renter by income group. No big surprises here, at lower income levels, much higher percent of folks rent, and at higher income levels, much higher percent of people own their homes. On the next slide, we're looking at that ownership versus rental by district. You can see quite a bit of variability there from a high of 68% of residents owning their home in district 8 to a -- to a low of 68% in district 3, so quite a bit of variation between

home ownership and renters, depending upon what district you live in. On this next slide, we took a look at what are typical Austin units like, what are some Austin apartment statistics. You can see the trend report is broken out by efficiencies, one bedroom, two-bedroom, three-bedrooms or larger, what's the typical square footage for those types of products, what is the typical rent. One thing to note, most renters are in a one bedroom or two-bedroom apartment. 54.9% of renters are in one bedroom apartment, 59.3 are in two-bedroom. This overall number, we use as kind of what we're defining as our typical apartment complex, so based upon the data we've been able to compile, your typical renter in Austin, your average renter in Austin is in an 854-square-foot apartment being rented for \$1,092 per month. What we did next then is we took that -- that product, an 854-square-foot apartment

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renting for roughly \$1,100 a month and went and tried to research complexes that sold that kind of product. They may have some units that are smaller than that, renting for less than that dollar amount, and they may have some units larger than that, renting for more, but generally complexes that were reflective of that type of product, 854 square feet, renting for about \$1,100, we tried to find complexes throughout the city that foot that bill. What we identified was 13 complexes, a total of 3214 units in those complexes, then we worked with tcad to actually get the assessed valuation of those complexes, and that was \$274 million, total valuation. Then we're taking that valuation to analyze the impacts of a higher tax rate on those actual units. The results were -- I should say, remember the blue version was the version where we don't change the tax rate. From we did a 20% homestead exemption and don't a change the tax rate, there's no shift in the tax burden to non-homestead properties. No change in the tax bill. In the gold version, we're saying if we did a 20% homestead exemption and increase the tax rate to .4886, that would save homestead owners some money, but then there's a tax shift. How much of a tax shift? Well, for your typical complex that we looked at, a complex with 247 units, it would result in the increase in the tax bill of \$2,866 for this large complex per year. That would come out to an average of \$11.59 per unit. And if you break it down into a monthly impacts, you'd be looking at about 97 cents per month per unit as a result of that slightly increased tax rate from 4750 to 4886. Then you can see the same Numbers for the green alternative where we did a 20% homestead exemption but kept the general fund revenue harmless by increasing the tax rate to

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50 -- .5083. Then finally the purple version where we just do a six percent homestead exemption, increase the tax rate to the hole back level to hold general fund revenues at their existing amounts. And in that scenario, we came up with a per-month unit -- per unit per month impact of 53 cents. >> Zimmerman: I'm sorry, before you go on, question for you. >> Yes, sir. >> Zimmerman: So what is the annual tax bill for those renters? Right? Because there is -- there's a tax bill for the renders, because the apartment owner has to pay property taxes. And of course that's -- if you averaged out what that cost per one bedroom apartment renter, what would that number be? Because that's not the 1560, is it? What are they paying today? You know? >> Right. >> How much of the 1098 could be property tax? >> We could do that for you. We don't have it, but you would come back here and we would take the valuation, that \$274 million and figure out what the per-unit tax bill currently is. We could do that work. We just didn't include it in here. >> Zimmerman: You could do the math on the 85,that; right? Just apply the tax rate to that. >> We could do that. Somebody was just telling me \$405. Is that per unit? >> Zimmerman: Yeah, per unit. That needs to be communicated. See, renters are of the mythical belief they don't pay property taxes, which is bogus. Of course they pay property taxes because the property owner has to pass that on because he has to pay the tax bill for them, so -- >> Mayor Adler: If I understand

correctly then, of the \$405, that would be the tax attributable -- the tax attributable to that unit, the \$405, that if we did -- >> [Inaudible] >> Mayor Adler: No, no, that's okay. >> I'm sorry.

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[Multiple voices] >> Mayor Adler: Do I understand correctly that -- >> Sorry. We had a little friendly argument about whether people understand they're paying property taxes because I've been involved in a lot of bond elections against them, and renters, oh, I'm voting for the bond because I rent and I don't pay property taxes. I've heard that a thousand times. >> Mayor Adler: So -- go ahead. >> So just to clarify, the Numbers I was talking with Eric about it, for that typical unit value of 85 that, that translates into an annual tax bill of \$405 at our forecast tax rate of 0.7540. >> And that's the city tax bill, that doesn't include the school taxes, Travis county health district, Travis county tax, just the city tax. >> Mayor Adler: And then what we're saying is that that tax bill, if it were passed through, if it was a six percent homestead exemption in a revenue neutral way by raising the rate, that tax bill would go up by - - am I reading correctly, just about 53 cents a month? >> I think it would be -- that 505 is annual, so it would be 631. Just give it to you by month, monthly. >> Mayor Adler: Okay. But the bottom line question I have, bottom line question is that what you're saying is, if we did a six percent homestead exemption, kept it revenue neutral by raising the rate, it was going to increase taxes on multifamily units. And if it were passed about you a hundred percent to the tenant, which I don't believe would happen, but if it did, it would be an additional 53 cents a month to that average renter. >> That is what we're forking. >> Mayor Adler: Okay. >> For that typical unit, 854 square feet, renting for just a touch under \$1,100 a month, of that \$1,100 per

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month, their current city of Austin tax burden, if they pay it or don't pay it, I'll leave for the economists to debate, but it's \$33.74 per month, and that would go up by 53 cents. >> Mayor Adler: So if it would pass through, and added, the rent would go up from \$1,092 to \$1,092.53, if it were passed through. >> Yes, sir. >> Mayor Adler: Okay. S Ms. Pool. >> Pool: Mayor, I'm glad you're repeating that. We had the conversation at our work session about this as well, and you're highlighting that increment. And to the extent that renters may or may not recognize what drives their rent increase and why it is what it is, I think it's really important, one of the things that council does when we ask questions and deliberate issues is we educate the public. And this is the way, a well-informed public, we can help signature that our public is well-informed, including on issues of rent increases and the size that may or may not be passed along to them, so that they can be well equipped to push back, if they feel like the rent is too high. So I appreciate the fact that we're spending time deliberating these specific Numbers. >> Mayor Adler: I would think that if we did this, if any landlord went to a tenant and said I just raised your rent because of \$25 or \$50 because the tax rate went up, if we have an educated renter, he would be able or she would be able to go back and say, that's not true. So I agree with you, that that's helpful. Ms. Tovo. >> Tovo: Certainly, they would have that option. But I think we all understand the challenge in Austin is that with a very high occupancy rate, tenants don't have tremendous leverage. And so, you know, while I appreciate the discussion

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about -- about the increase being broken down on a monthly basis, I will say I certainly have heard and maybe you all have, too -- I'm certainly hearing from renters, and they very well understand that they pay property tax, and that an increase -- a change, that shifts the burden to rental properties, will

certainly impact their monthly bucket. So that was the source of the friendly argument we were having a minute ago. I think renters are very well aware of that, and they're very well aware that they don't benefit from a homestead exemption for that reason. So I appreciate the continued focus on it. I have gotten some requests from individuals out there in the community who have suggested that we line up not just with the monthly increase would be on renters, but also the monthly benefit to property owners because some of what we're calling -- the suggestion is that some of what we're calling an insignificant increase for renters is about what other people may benefit from at certain levels of property ownership. And so I will prepare some questions so we can line up those Numbers that helps us compare apples to apples. >> Mayor Adler: And I think as part of that, we can also look at who's paying for that benefit, because we're going to see what the impact is by district. Because somebody is, obviously, paying for this, and I think that when we run through those Numbers -- we have some attempt to be able to do that. There was the incident study, which was a page didn't you go back to today, that showed just how regressive a property tax was, both in terms of the percent of someone's income that they were paying, where it was six times -- or three times higher for someone who makes less than \$34,000 a year than it was for a rich person, the tax burden from property tax. When you look at --

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obviously, with the more expensive homes in some districts, they get more of the ultimate benefit, but those districts, if we were to raise the tax rate, would be funding most of that benefit. So I would hate to deny the half of Austin's population that has homes worth less than \$227,000 that benefit that I think they desperately need because a very few number of rich people are both receiving greater benefit and paying a lot more money for that benefit, which I think kind of washes out, but still gives real important relief to people who own homes less than \$200,000, because they're the ones really most desperately needing, I think, the homestead exemption. >> I want to say, you know, I'm glad that we're having this conversation, as we also address the question of whether or not to pursue a challenge petition because I think that offers us a potential other option for looking at ways to craft a more equitable system of property tax. >> Mayor Adler: And on that, you and I agree. >> Casar: Mr. Mayor? >> Mayor Adler: Mr. Casar. >> Casar: I think this is helpful -- some helpful Numbers, but just thinking about it within terms of my own district, even if it was passed through, a 50 cents a month increase may not seem like month, but then for the 30% of my district who are the homeowners, a three dollar property tax decrease may not seem like very much either. And in the end, of course, it makes sense to me if we are shifting some of the property tax burden off of homestead residential, that it will be chopped up amongst industrial and retail and hotel and second homes, and then also multifamily complexes. So of course the impact on renters is going to be smaller in the negative than

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the positive would be on homeowners. But in the end, if we're really talking about affordability solutions, three dollars a month for homeowners in my district is -- even though they are -- many homeowners have those cheaper homes, it's still not much. If we are agreeable to raising 5.5 or \$6 million worth of tomorrow afternoon help with affordability, I feel uncomfortable using it entirely for this purpose because if we are going to be -- again, if we're going to raise five to six million dollars for the collective kitty from the community, and then we decide to cut checks, imagine these as affordability rebate checks to people, we're ascending \$100,000 affordability check to district 4. And I love councilmember Gallo, I tell her this all the time, but a \$1.3 million affordability check to district 10, and district 8, I hope if we have a collective will, or at least the majority will, to raise five or six million

dollars extra the in property taxes, that we could put that money to better use to handle the underlying affordability issues that folks are facing, you know, to address raising rents. I think councilmember 20th mentioned it perfectly. We have serious occupancy issues, issues placing affordable housing where it should be placed so that people have access to services and transit, as councilmember Houston has mentioned. There's just -- I think that if we can get through step 1 of, okay, we're open to going back to the roll back rate, if we're open to that, I think we should really consider how to do that equitably and address people's really affordability issues because I just don't know if I can go home to my district and say I supported this, which got -- and I supported raising the tax rate to the roll back rate, and what I brought back with that was a three-dollar a month decrease in your property tax bill, and all -- and most of the rest of the

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money went to districts that had more expensive homes. And so that's just -- I'm just trying to communicate to the council what position that puts me in, and I think other councilmembers from similar districts in. >> Mayor Adler: Ms. Gallo. >> Gallo: And I appreciate you saying that. You know, and I think the fact that the majority of people who live in Austin rent is important to all of us, and so the ability in our commitment to help make rental properties more affordable in Austin is such a broad-based project for all of us. It's not only the property taxes that their landlords would be paying, but it's also the utility bills that the tenants pay themselves quite often. And our -- our ability as a governmental entity to help control those utility bills continuing to raise, the affordability from the standpoint of rents, we've talked over and over again that affordability in rental rates is more impacted by supply and demand than anything else. So as all of us work together to make sure we're allowing and encouraging you will those affordable units to be built as quickly as we can, and also working on the development process so that the cost to build them is less, you know, it's all of those issues that I think we'll all buy into and support and recognizing that there's a majority of our population that rents, and that we do need to address those. So it's -- this is just -- this is an important piece of it, but it's just a piece of it, and all of us working together to address those other issues that probably impact the renters' rental rate more than anything else, I think it's going to be really important, and I think we're all working together to accomplish that. >> Mayor Adler: Ms. Tovo. >> Tovo: Another thing that I'm beginning to line up on my drafts is the impact of the existing homestead exemption that's been adopted because what does

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that work out to be for an average? I know it's very minimal for most homeowners, but at certain levels the \$5,000 exemption could approach three percent, I think, for certain property owners. So, anyway, it would be interesting to me, too, to see what the existing property -- what the already passed homestead exemption looks like on somebody's charts. >> I believe the number in aggregate was \$3.1 million reduction in that tax burden and a little bit over \$24 per year is the -- is for the typical, or I guess it's not typical at that point because it's \$5,000 for everybody, just for everybody's tax bill, it's \$24 a year less. >> Mayor Adler: And I think the other important thing to remember, as we compare those Numbers, my hope, if we were doing a homestead exemption and putting aside other options that the council might have, we're talking hopefully about a 20% homestead exemption that would be phased in over a certain number of years, and if we were to do six percent this year, that would be just the first step toward the ultimate exemption. >> Okay. So this was a look at apartment dwellers. Of course not all the renters in the city are apartment dwellers. Some of them rent single-family units. So on this analysis what we did is we took the typical non-homestead single-family dwelling unit. So we were able to break those out in tcad's database, single-family homesteads versus those that are not. That median

for Stanley properties is \$215,262 and we apply the various tax snakes you can see the monthly change per home is anywhere from \$1.33 to

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\$2.95 a month, depending which scenario you're looking at. Then the final thing was just to look at some two- and four-year scenarios. Both of these, what we chose to do as a starting point, assume we're going to do six percent on the first year. That's what our projects indicate could be done fiscal year 16 without impacting general fund revenues. If we were to go to the roll back rate. And then we -- in the two-year scenario, we said two six percent the first years, then you'd have to do the additional 14% to get to the total of 20% in the second year. We would be projecting, in order to do that at the roll back rate, you would still have a budget gap. So in order to do it in two years -- in order to do that extra 14 percent in the second year, we are projecting you would have a budget gap or you'd have to exceed the roll back rate to keep the budget in balance. In the four-year scenario, we're looking at six percent in the first year, an additional five years in the second year to get you to eleven, an additional five percent in the third year to get you to 16, and then do the final four percent in the fourth year to get you to 20. And similar story, we do not project a budget deficit in the first year as a result of that approach, but even at the roll back rate we do project budget deficits in years two, three, and four. We put a footnote down there, and a lot of times the important stuff is in the footnote, is that all these projections are at what we're forecasting for our budget growth in those out years. And there's a lot of unknowns right now. But based upon our best estimate of what our forecasted growth in the general fund budget will be at the roll back rate, those are the budget gaps we'd be projecting if council's desire was to try to get there in four years. And so that concludes, I believe, all the things that council asked for in that resolution on the homestead exemption, and we'd be happy to answer any questions. Then if there's a desire from council for additional analysis, we'd be happy to

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take that back and work on that as well. >> Mayor Adler: We also have another 40 minutes if people wanted to ask questions of departments as well. Ms. Tovo. >> Tovo: How difficult would it be for you to present us with this information using average home figures? >> I think we have to go back to tcad and see if we can get the averages broken out by district. Some of our analysis was district by district. We have the data for, citywide. So it would take some time, but it's not a matter of difficulty, it's just a matter of getting the data from tcad and recalibrate our models to those Numbers. >> Tovo: I've gotten at least one e-mail, maybe a couple, suggesting that that would be another important -- important point of analysis. >> I think, you know, the average is going to be higher, you know, so that's the reason we choose the median. When you look at the median, half the homes are valued less than that and half are valued higher, so we feel that's a real good measure of like -- of a typical home here in Austin. Half own something more expensive, half own something less. If you look at the average, my guess is it's going to be more like 40% own something above the average and 60% own something below. It's going to be skewed because these high income homes really pull the average up. So by the average being much higher than the median, your reduction in tax burden to your average valued property will be greater than your tax burden reduction to your median valued property. That's going to be the result, you know. Actual Numbers, we'd have to turn the crank on it. >> Tovo: Sure you thank you. >> Would you like us to do that? >> Tovo: Let me think about it. >> Okay.

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>> Mayor Adler: Let me know if you're not going to ask for that information. Ms. Garza. >> Garza: I'm sorry if I missed this. The proposed cuts, those would be if there's a 20% homestead exemption, a Sixers? What are those based on? >> Which proposed -- >> Garza: Did we -- I guess it might have been the news article I saw today, or last night. Yes, potential reductions. What are those -- those are assuming -- are those assuming a homestead exemption? >> Those were done in response to council's resolution that said as part of our analysis as a homestead exemption, to please look at what would be the potential service reductions that would occur. So, you know, I don't know that they're in response to any homestead exemption level. I mean, it's always going to be the decision of doing a homestead exemption reduces your tax base, changes your revenue, and you either increase your tax rate to get that revenue back or you look at making service reductions. So I don't think that's particular to a 20%, six percent, that was in response to council's direction to also consider as part of this analysis, service reductions that might occur. >> Okay. I'm thinking the proposed budget was -- what was it, 902 million? The general fund budget? >> The forecasted budget was 902 million, somewhere in there, yeah. >> Garza: So are these cuts -- would lower that 902 forecast? >> Yes, ma'am. >> Garza: And that's -- >> If they're implemented. >> Garza: Okay. But we're not sure if this is for a 20% or 6% homestead exemption? Just -- I guess what did you base this -- did city management just ask for a five percent across the board? Tell me what options are kind of thing? >> We asked for our departments, back in

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February, when we were doing this -- that's when council passed the resolution asking us to do this work. Soon after that, we asked our departments to identify five percent reductions as -- as the Numbers on the homestead exemption became clear, and as we started working through that process and started working with our departments on these list of potential service reductions, it got narrowed down more and more. And so I think the -- you know, at the -- I believe it's the gold scenario where we're projecting if you were to do a full 20% exemption in one year and go to the roll back tax rate, we would be forking a \$19 million budget gap. If that's what council wanted to do, one way to close that \$19 million budget gap would be to look at that 23 or \$24 million list of potential reductions. Another scenario would be to exceed the roll back threshold, which you are allowed as council to do, there's just potential consequences from doing that, but you could certainly consider that. >> Garza: Thank you. >> Mayor Adler: And if we did the purple option, which was the six percent at revenue neutral way, then as to the forecasted budget, we wouldn't need to make any of the cuts on the list that councilmember Garza was referring to. Is that correct? >> That's correct. >> Mayor Adler: Okay. Ms. Troxclair. >> Troxclair: Going back to the slides 10 and 11 where you kind of outlined the different entities, not only in Austin area but also in other cities that offer homestead exemptions, I guess, you know, one -- one aspect of this that I'm still trying to understand is, we're struggling with a council -- as a council, with how to potentially implement it, what the consequences or benefits for different people may be, you know, is it regressive, is it not regressive.

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But I just -- you know, I see -- but I'm not seeing those -- and I wasn't -- I don't see an uproar of people, you know, protesting the 20% homestead exemption that's already offered by Travis county or saying that it is negatively impacting their quality of life or saying that seniors, you know, don't -- don't deserve a property tax reduction that allows them to stay in their homes or -- and I guess this is more -- I'm just more vocalizing my thoughts here. I don't know that I have a -- my question is, if anybody out there has information of how Houston, Dallas, Fort Worth, Travis county, the process that they went through in implementing their 20% homestead exemptions, and is there something different that they did that

we're not doing? Or are we examining issues more in-depth than they have? It would be helpful to me if anybody has a little bit of historical perspective on how other entities, you know, successfully completed this process and incorporated a had made -- incorporated a homestead expectation into their budgets.

>> Mayor Adler: Ms. Garza. >> Garza: And I think we need to be careful about, you know, making apples to apples comparisons because I think something -- there was a comment made that we can't do that because everybody's budget is done differently, like some stuff is under capital improvements in some cities, whereas people allocate things to different departments differently, but the other -- with regard to Travis county's 20% homestead exemption, I would say that the level of service is a significantly different -- I mean the services that I get as a

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city of austin are not are -- I am and austinites are affected more on a daily basis by city of Austin services, as opposed to Travis county services. Like they have -- they have kind of different services than I would say the city offers. So I just want to be careful of that comparison because it's a different level of daily contact with our government when we compare our exact with the county and our contact with the city. >> Sure. And I certainly understand that, but I also know that the percentage of Austin residents, property tax bill, the percentage that goes to the city and the percentage that goes to the county is pretty close. Right? Financial staff? The tax burden that goes to the city versus the county is pretty equivalent? >> Maybe of the total tax bill is 16 point something goes to the county and 20 point something comes to the city. >> Troxclair: So, I mean -- I know, of course, yes, it's different services and our city is different than Houston and Dallas and Fort Worth, but I guess my point is, it has been done successful in other -- in other places, so -- and again, living here in Travis county and knowing that we already do have a homestead exemption on the Travis county portion of our taxes, I just -- I haven't seen -- I don't remember the same arguments being made when this was implemented -- I don't remember the arguments that were made when this was implemented in Travis county, and I don't see the same people who are maybe arguing against implementation of a 20% homestead at the city level also having a history of protesting the existence of a 20% homestead exemption at the county level. So it's just something that I'm struggling with, so I just -- or I'm curious about and wanting to find out more information, so I'm just, you know, vocalizing my thoughts on that issue.

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>> If I may respond, in this case I think the way we would get there to get a majority of folks to agree that's what we want to do and just for the sake of transparency of where I'm coming from, if there are reasonable cuts to be made to the budget that make sense, then I -- I'm supportive of reasonable reductions through our best judgment. And if we're going to be raising revenue, then I want to make sure that any revenue raised is distributed as equitably as possible to the needs that are, in my judgment best for my district and the city. I think that's just a baseline way I'm operating. It's not in protest of any particular policy, but I'm for reasonable cuts, and if we're going to be raising tax rates and generating revenue, I want that to be distributed as equitably as possible because I have people clamoring that in my district we have less parks than anywhere else, and some of the parks we do have, there's people coming from other neighborhoods to come deal drugs, and they're dangerous, that people have to live north of 183 that have two to four times as much traffic accidents and pedestrian accidents. So considering that, if we're going to be raising revenue, I want it to be distributed to where there are the most needs and what is most important. And I have to make that judgment call, and each of you has to make that judgment call, but I think the way we get there is the majority votes. >> Mayor Adler: Ms. Gallo. >> Gallo: Where are we on the flat tax bill in the legislature? >> Mayor Adler: Flat tax

bill has passed the senate. It's over in the house, and it is looking like it may come out. But still considerable unknowns. I know that senator Watson's office and representative Rodriguez's office are working on that, working on

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that now. As concerns us, it has potential, the grandfathering issue that came with it that I talked about last week, still remains, and it's looking like the house may add a cap to the flat tax, in terms of how high it can go, which is set at, I think, 20% of the median home value in the taxing entity, which would cap the flat tax -- the flat exemption we could make at roughly \$57,000. But I haven't gotten out of the house. It's going to require two-thirds vote there, adjustments with the senate, if there are any changes, the governor needs to sign it, and then we won't know for sure until November when there would need to be an election of the vote of the people. >> Gallo: So the question being, I think, as we have the policy discussion about the homestead exemption, that the equitable way that we've all talked about to do this would be with a flat tax. But our hands are tied because of the timing component, and it looks like that what we may have to do, it sounds like, is do something for this year, but make sure what we do doesn't tie our hands for being able to implement a flat tax, which would be more equitable for all of the areas of Austin. So I think as we continue to have this discussion, hopefully we will keep that component in our discussion because I do think it addresses a lot of the issues that you just brought up. So ... >> Mayor Adler: Ms. Garza. >> Garza: Or we can choose to not do anything this time, since this is a brand new cycle for all of us and we're all learning how this works, and maybe the direction would be let's get through this first budget

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session, see what happens in the leg, and, you know, then maybe have this conversation again next year when we all are a little more familiar with the process and understand and see what our limitations are. Maybe we don't have limitations next year, would be another thing we could discuss. >> Mayor Adler: Okay. Ms. Houston? >> Houston: And I thank you, mayor. I agree with most of what councilmember Garza is saying, since we are trying to get our feet wet, and we're getting wet fairly quickly in the process. But I think we've got to show some ear to the people who are suffering now. I don't know that it has to be a big percent or a big number, but I think we do have to recognize and honor the fact that people all over the city are suffering now. So I don't have any ideas at this moment how to do that, but I think we cannot go through this cycle without letting people know we heard them and we're trying to do a little bit now, perhaps, and then more after we see what the legislature comes out with. But we've got to address some of this this time around. My opinion. >> Mayor Adler: Okay. Further conversation? Ms. Pool? >> Mayor, I'd also like to maybe dig in a little bit further on some other comments that I think I heard at the state of the city where we were potentially looking at increasing the size of the pie, rather than simply cutting it into smaller and smaller bits. We're shifting around the size of the existing slices, but I'd entertain a conversation, hopefully soon, on what all we might do to try to increase the size of the pie.

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>> Mayor Adler: I agree with that. Ms. Kitchen. >> Kitchen: And I would -- I would echo what most of my -- well, really what all my colleagues are saying because I do think we need to do something this time. I'm not certain yet what that is. I do think we need to do the best we can to make sure we don't remain in a box, this existing pie. So -- and I don't think that we have to be forced with choices that are either --

that are exemption versus cutting. I don't want to -- I don't think that's the choice that we need to be making. So I want to look outside of that choice. >> Mayor Adler: Mr. Renteria. >> Renteria: Does the three percent raise -- is it included in the six percent neutral -- revenue neutral formula? >> The three percent forecasted pay raise for civilian employees is included in all those Numbers. >> Renteria: Okay. Thank you. You know, looking through all the surrounding cities around Austin, there's very few cities that have homestead exemption. I mean, if you look at round Rock, you look at all the other cities, you're not going to have the homestead exemption. They have zero. So, you know, we're not the only ones that are not having homestead exemption. I know that, you know, campaigning, I had a lot of people that were really concerned about services being cut. You know, that's a big concern about people in my area are concerned because they know that, you know, services are very important for them, so, you know, I -- you know, I agree that we should go at it at six percent. That's how I'm going to be supporting it because it's revenue neutral. >> Mayor Adler: Any further comments? Thank you. Ms. Garza? >> Garza: And I guess that's what I want to know if it's

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revenue neutral. So until I see something that says it is indeed revenue neutral, I really can't give a -- you know, what my opinion is of this. So that's -- I guess that's something that's going to happen in further discussions. >> Mayor Adler: Can you explain that? >> The purple scenario, the scenario we're talking about being a six percent homestead exemption, we are forking that to be revenue neutral, so there would be no decrease in general fund revenue, but that included a higher tax rate instead of a tax rate forecast at 4750, it included a tax rate, I believe, of 4824. So with a six percent exemption, with that higher tax rate, we forecast the same amount of revenue, which is -- you know, that's the amount of revenue we're forecasting to be necessary to keep our general fund budget in balance, given all these cost drivers we've been talking about. >> Mayor Adler: Any further discussion? Do we want to ask staff any questions in the 20 minutes that are remaining, or do we want to stop at this point? Does anybody have any questions they want to ask at this point? Then we're going to go ahead and stop. In the Houston? >> Houston: Mayor, at this point I'm afraid to ask a question, so I suggest we stop. [Laughter] >> Mayor Adler: Then we will adjourn. Thank you very much for the presentation. Thank you for the work that you guys are doing.